

Overview of



Guaranty
Clearing
Corporation

“Where markets come together.”

Topics

- ☐ **Who is GCC?**
- ☐ **GCC Clearing Model**
- ☐ **Standard Risk Policies**
- ☐ **Margin Collection Process**
- ☐ **Delivery Process**
- ☐ **Default Structure**

Who is GCC?

□ Governance

- Wholly owned subsidiary of Board of Trade Clearing Corporation (BOTCC)
- Dedicated business development staff

□ Structure

- Registered Derivatives Clearing Organization
- Clearing Member owned
- Utilizing BOTCC infrastructure and processes (subcontract)

□ Current Customers

- Commodities Management Exchange
- IntercontinentalExchange
- Merchants' Exchange

□ Clearing Participants

- Open to qualifying FCMs and market participants



GCC Clearing Model

- ❑ **Based on established BOTCC clearing model ...**
 - Multi-lateral netting
 - Collection and management of original margin (collateral)
 - Mark-to-market with collection of variation margin
 - Same banking procedures and settlement accounts
- ❑ **... with flexibility to meet requirements of OTC markets**
 - Unified settlement process across multiple markets
 - No cross default between separate Market Guarantee Funds
 - Flexibility to tailor rules as required on a market-by-market basis
- ❑ **See web site for a complete list of rules**
 - www.guarantyclearing.com

Standard Risk Policies

Margins

- ☐ **Gross vs. net**
 - Applies to an entire market
- ☐ **Variable**
 - Applies to an entire market
 - Protects against high volatility
- ☐ **Concentration**
 - Applies to individual participants within a market
 - Protects against participants with large overall positions
- ☐ **Spot Month**
 - Applies to an entire market
 - Ramp up to delivery escrow

Limits

- ☐ **Trading System**
 - Applies to an entire market
 - Establishes order quantity and net position limits by customer
- ☐ **Exposure**
 - Applies to individual participants within a market
 - Establishes super margin for participants with large positions
- ☐ **Daily Price**
 - Applies to an entire market
 - Controls one-day moves

Application varies by market, subject to change

Margin Collection Process

❑ Positions updated and margin collected twice a day:

- Primary collection made by 6:40AM daily based on end-of-day positions and prices from previous day
- Midday updates calculated based on 1:20PM position and 12:30PM prices; any shortfall is withheld from 3PM Pay/Collect transfer

❑ Treatment of special margins:

- Variable Margin implemented on days of high volatility and collected by 6:40AM next business day
- Concentration Margin and Exposure Limits applied as additions to regular margin and collected by 6:40AM next business day

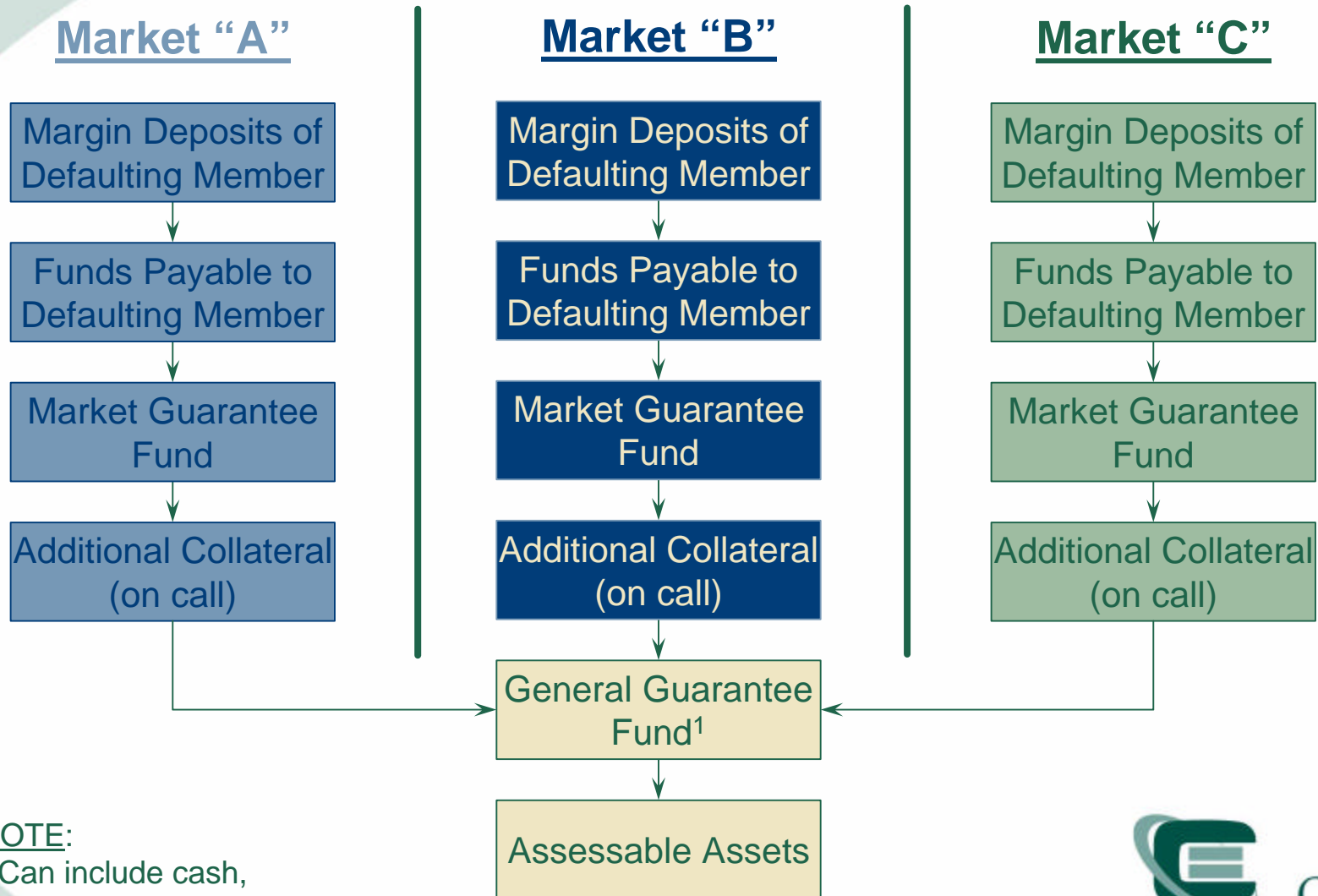
❑ Timing and type of payments:

- All margin calls made in cash; can be exchanged for securities later
- Excess margin is available at 9AM on the next business day

Delivery Process

- ❑ No guarantees on physical delivery
- ❑ Rules in place to help liquidate “non-qualifying” market participants (e.g., those who cannot make or take delivery)
- ❑ Flexible matching process coordinated with individual markets to maximize delivery efficiency
- ❑ Optional delivery collateral management process helps reduce risk of delivery default

Default Structure



NOTE:

¹Can include cash, securities, insurance and credit facilities.